

### **Introduction**

In fiscal 2015, the Howard County Public School system completely reformatted its operating budget. Readers who expect a budget based on the State of Maryland's budget categories — Administration, Instructional Salaries, Maintenance, etc. — face unfamiliar territory in fiscal 2015.

The changes go deeper than a simple switch from categorical to functional budgeting. A budget is a plan to decide the amount of money that can be spent and how it will be spent. In fiscal 2015, the school system has condensed the monetary aspects of the budget, providing extensive descriptive text focusing on the system's overarching goals and objectives.

These changes in presentation and philosophy have merit, but they do have two important unintended effects: it is much more difficult to compare fiscal 2015 to any past year, and there is far less specific justification of line item expenses.

In addition to changes in presentation there have been significant reorganizations to operations between fiscal 2014 and 2015. Some are *prima facie* changes from a categorical budget standpoint – they appear to have moved people and costs from one area to another, but in fact they continue to be budgeted in the same categories as in previous years. Some changes are actual budgetary changes where costs have moved from one budget category to another.

### **Overall financial picture**

The superintendent's proposed General Fund operating budget increases by \$16.7 million (2.3 percent) over the current year. While the fiscal 2015 budget was developed using a "zero-based" approach, the financial results are similar to, or higher than, past superintendent's proposed budget increases:

- Fiscal 2014    \$16.7 million    (2.3 percent increase over FY13)
- Fiscal 2013    \$13.3 million    (1.9 percent increase over FY12)
- Fiscal 2012    \$7.5 million    (1.1 percent increase over FY11)
- Fiscal 2011    \$8.1 million    (1.2 percent increase over FY10)

### **New programs**

The superintendent's budget outlines two new budget items in fiscal 2015:

- The cost to open a new middle school is shown as \$3 million, including positions that were redirected from other programs (see other funding changes below).
- New initiatives including expansion of world language program and Pre-K at Title I schools are shown as adding \$7.1 million to the budget.

### **Use of fund balances**

The fiscal 2015 budget, while repurposing some current funds and revising operations, also relies significantly on the use of the school system's fund balances (available funds from prior years) to pay for fiscal 2015 operations.

- The fiscal 2014 approved budget used \$4.9 million in fund balances
- The fiscal 2015 superintendent's budget revises this and indicates that \$8.9 million in fund balances will be used in fiscal 2014. (This change apparently still requires Board and County Council approval.)

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- And the fiscal 2015 superintendent's budget uses an additional \$5.6 million in fund balances to fund the fiscal 2015 budget.

Page 26 of the superintendent's budget outlines the growth of the fund balance — from \$10.5 million at the start of fiscal 2011, to an estimated \$18.8 million in fiscal 2014.

With the exception of State transportation funding (which local school systems were specifically authorized to carry over), Howard County Public Schools rarely used fund balances as a funding source in past years. Historically, most unexpended funds were returned to the county government and the school system did not carry significant fund balances.

The OBRC recognizes that conservative budgeting by HCPSS is important in an uncertain economy. It is difficult to anticipate what the cost of diesel fuel will be and adequate funding is necessary to meet these expenditures.

Certain budget categories that the OBRC has reviewed over the years contain unspent funds; the subsequent use of these funds should be detailed and explained in the operating budget document. **OBRC recommendation:** The use of surplus should be provided in a final account of fund balances as part of the HCPSS Operating Budget. For any funds that are not spent during the fiscal year, the source and use of such funds should be apparent.

### Increased costs

According to the superintendent's budget summary [page 27] the single largest increased cost in the budget is:

*Mandatory increases for health, retirement, workers' compensation, and insurance \$10,028,260*

The largest two items included here are an increase of \$6.1 million for health insurance and \$2.9 million for Social Security. Given the historical pattern of large surpluses in the health fund, are these numbers justifiable?

A review of the Health and Dental Self-Insurance Fund reveals the following questions:

- In fiscal 2013, the school system's budget predicted that the Health Fund would end the year with a \$3.9 million fund balance (the Fund ended with a \$12.5 million balance).
- In fiscal 2014, the BOE approved a negative ending fund balance (-\$9.6M), but the predicted ending balance for FY14 in the current budget document is \$5.4M.
- The FY15 budget again predicts a negative ending fund balance, something that has never actually happened.
- The FY15 proposal anticipates a year-end transfer of \$3M in leftover funds from General Fund to Health Fund.

The Wellness Program is budgeted for a 30% increase, about \$400,000.

- Given that claims costs have risen among the employee and retiree group, is the Wellness Program working?
- Is there data to support expanding this program by such a large amount?
- What is to be done with the additional funding?

### Other funding changes

The superintendent's budget shows nearly \$3.4 million in the fiscal 2015 budget realized by "zero-based budget cuts and budget savings through redirecting existing resources." [page 27].

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While limited supporting data appears in the text of some programs in the budget, a detailed breakdown would be helpful.

The budget also indicates a plan to pre-fund \$1.3 million of fiscal 2015 costs using available fiscal 2014 funds. Again, there are some mentions in the budget text, but a detailed list is recommended. The plan to use \$1.3 million in year-end money – identified only halfway through the current fiscal year – means that significant excess funds are available in the fiscal 2014 budget.

Similarly, the revenue summary page 421 shows an estimated Fund Balance/Transportation figure of \$8,856,720 while the approved Fiscal 2014 budget shows \$4,856,720. How is this additional \$4 million being used?

**OBRC recommendation:** The OBRC would like to have a better understanding of how fund balances are managed, particularly in Other Funds. In some cases, a positive fund balance exists and in some cases a negative fund balance. How is a positive fund balance treated? Information and Network Technology Services (Program 9714) has a fund balance of \$3.1 million in FY13. What categories and line items were not fully funded in FY13 so that there is a fund balance of \$3.1 million? What are the plans for the \$3.1 million fund balance for FY14? How is a negative fund balance treated? The School Construction Fund and the Health and Dental Self-Insurance Fund (Program 9715) for FY15 both have proposed negative fund balances. What is the rationale for budgeting these funds with negative fund balances?

### **Format and content**

The new format provides a wealth of non-financial information; however it provides far less detailed expenditure information than prior versions. Line item costs are shown in an appendix only—which is not a part of the public budget—and even in this appendix, there are no line item justifications or descriptions. Budget expenditure details appear to be an afterthought, supplanted by non-fiscal information concerning goals, objectives, etc, along with photographs and other material.

The goal of the new Operating Budget format is, presumably, to present the operating budget in a more user-friendly format and show how the budget supports the goals of Vision 2018. However, the OBRC has found that the FY15 Operating Budget as presented contains less financial detail than previous fiscal years, making it difficult for the OBRC and the public to compare budgeting and spending from one fiscal year to another fiscal year. The information in the operating budget should be presented in a way that allows the public to track spending from year to year and explains the budgetary decisions that were the basis for the budget.

For example, only listing the Actual FY12 and Actual FY13 data without the Budgeted FY12 and FY13 presents an incomplete picture of the budgeting and spending of the operating budget. Without the budgeted information it is impossible to know what programs, categories and line items of the operating budget were budgeted in a way to result in no fund balance, a positive fund balance or a negative fund balance. The fund balances are an important part of the operating budget as they provide an indication of operating budget areas that are being over or under funded, resulting in fund balances that are utilized in the current and future fiscal years and have an impact on future budgeted funds.

### ***Format/Content Example 1. Multiple categories are shown together***

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There is no crosswalk showing programs by State budget category and some programs include costs from more than one category without clear indication in the budget document.

One of the few controls that elected local officials have over the millions of dollars given to school systems is the approval of budgets by major category (Administration, Instructional Salaries, Maintenance, etc.). Historically, the HCPSS budget was presented along categorical lines and it was very clear throughout the budget document what categories were represented within what program.

Now that the budget has been reformatted, the categorical distinction is vague. Except for a few summary pages, there is no mention of categories. Important questions like “How much does the school system spend for administration (Category 01)?” have become very hard to answer.

### ***Multiple categories within one program***

The sample report below shows the actual line items behind a budget program that appears in the 2015 budget. The example is Purchasing (program 0205) shown in the Finance and Operations section of the budget on page 289. This is a relatively simple program with line items budgeted in three categories. Other programs are much more complex.

Here’s the budget data that appears in the budget book for Purchasing:

Operating Budget				
	Actual Fiscal 2012	Actual Fiscal 2013	Budgeted Fiscal 2014	Proposed Fiscal 2015
Salaries and Wages	\$ 412,310	\$ 424,362	\$ 432,810	\$ 576,280
Contracted Services	-	392	21,000	19,500
Supplies and Materials	8,666	665	8,700	1,952,940
Other Charges	3,606	2,247	1,700	4,530
Equipment	-	-	-	-
<b>Total Expenses</b>	<b>\$ 424,582</b>	<b>\$ 427,666</b>	<b>\$ 464,210</b>	<b>\$ 2,553,250</b>

*Note: Prior year amounts are based upon historical data.*

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And here are the *actual* line items and categories that are budgeted for Purchasing:

**Purchasing  
Program 0205**

	Category	Fiscal 2013 Actual	Fiscal 2014 Budget	Fiscal 2015 Supt.
<b>Salaries and Wages</b>				
Salary-Administration	Administration	\$225,370	\$229,880	\$229,880
Salary-Support Staff	Administration	\$115,690	\$118,050	\$168,170
Salary-Professional	Administration	\$83,302	\$84,880	\$84,140
Salary-Professional	Maintenance	\$0	\$0	\$94,090
<b>Subtotal Salaries</b>		<b>\$424,362</b>	<b>\$432,810</b>	<b>\$576,280</b>
<b>Contracted Services</b>				
Repair-Equipment	Administration	\$0	\$0	\$500
Contracted-Labor	Administration	\$0	\$0	\$9,000
Maintenance-Software	Administration	\$392	\$21,000	\$10,000
<b>Subtotal Contracted</b>		<b>\$392</b>	<b>\$21,000</b>	<b>\$19,500</b>
<b>Supplies and Materials</b>				
Supplies-Classroom	Instructional Supplies	\$0	\$0	\$640,050
Postage	Administration	\$0	\$0	\$200,090
Supplies-Warehouse	Instructional Supplies	\$0	\$0	\$400,000
Supplies-General	Administration	\$665	\$8,700	\$47,300
Supplies-Other	Instructional Supplies	\$0	\$0	\$665,500
<b>Subtotal Supplies</b>		<b>\$665</b>	<b>\$8,700</b>	<b>\$1,952,940</b>
<b>Other Charges</b>				
Travel-Conferences	Administration	\$499	\$0	\$1,200
Travel-Mileage	Administration	\$1,343	\$1,400	\$3,030
Dues & Subscriptions	Administration	\$405	\$300	\$300
<b>Subtotal Other Charges</b>		<b>\$2,247</b>	<b>\$1,700</b>	<b>\$4,530</b>
<b>Total Budget</b>		<b>\$427,666</b>	<b>\$464,210</b>	<b>\$2,553,250</b>
<b>Totals by Category</b>				
Total Administration		\$427,666	\$464,210	\$753,610
Total Instructional Supplies		\$0	\$0	\$1,705,550
Total Maintenance		\$0	\$0	\$94,090

the added "Budget Detail" tab at the back of the budget book does not include this same information. It lumps all the line items together and gives no indication that some are Administration and some are Instructional Supplies:

<b>Fiscal 2015 Superintendent Budget</b>					
<b>General Fund</b>					
<b>Purchasing</b>			<b>Program 0205</b>		
	Fiscal 2013 Actual	Fiscal 2014 Approved	Superintendent	Fiscal 2015 Board Request	Approved
<b>Salaries and Wages</b>					
Salaries	\$ 424,362	\$ 432,810	\$ 576,280	\$ -	\$ -
<b>Subtotal</b>	<b>424,362</b>	<b>432,810</b>	<b>576,280</b>	<b>-</b>	<b>-</b>
<b>Contracted Services</b>					
Repair-Equipment	-	-	500	-	-
Contracted-Labor	-	-	9,000	-	-
Maintenance-Software	392	21,000	10,000	-	-
<b>Subtotal</b>	<b>392</b>	<b>21,000</b>	<b>19,500</b>	<b>-</b>	<b>-</b>
<b>Supplies and Materials</b>					
Supplies-Classroom (CEC)	-	-	640,050	-	-
Postage	-	-	200,090	-	-
Supplies-Warehouse	-	-	400,000	-	-
Supplies-General	665	8,700	47,300	-	-
Supplies-Other	-	-	665,500	-	-
<b>Subtotal</b>	<b>665</b>	<b>8,700</b>	<b>1,952,940</b>	<b>-</b>	<b>-</b>
<b>Other Charges</b>					
Travel-Conferences	499	-	1,200	-	-
Travel-Mileage	1,343	1,400	3,030	-	-
Dues & Subscriptions	405	300	300	-	-
<b>Subtotal</b>	<b>2,247</b>	<b>1,700</b>	<b>4,530</b>	<b>-</b>	<b>-</b>
<b>Program 0205 Total</b>	<b>\$ 427,666</b>	<b>\$ 464,210</b>	<b>\$ 2,553,250</b>	<b>-</b>	<b>\$ -</b>



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None of these provide the line item descriptions/justifications that have historically been included with the school system's budgets:

### Purchasing Services

Program 0205

<b>Salaries and Wages</b>	
Salaries	Salaries for positions in this office.
<b>Contracted Services</b>	
Maintenance of Software	Funds to support website activities. Continued technical upgrades and interfaces with various financial systems.
<b>Supplies and Materials</b>	
General Supplies	Covers the cost of supplies, advertising, and other operational costs.
<b>Other Charges</b>	
Travel-Conferences	Attendance at work-related conferences and meetings by Purchasing staff at national professional development conferences. Moved to Business Services and Operations, program 0201.
Travel-Mileage	Reimbursement to employees for work-related mileage/travel expenses.
Dues and Subscriptions	Subscriptions to work-related publications and association dues.

### *Format/Content Example 2– confusing programs and categories*

And here's an example of how the new format can be misleading. The Fixed Charges page in the budget (page 301) looks like this:

**FY 2015**

Superintendent's Proposed Operating Budget

Howard County Public School System

#### Program Highlights

- ❖ This program includes the cost of employee benefits and other fixed costs. Health insurance and employer FICA consume 57% and 25% of the Fixed Charges budget, respectively. Retirement payments to the MSDE Pension System represent 15% of this budget. The FY 2015 Fixed Charges also includes liability and vehicle insurance, retirement contributions, life insurance, Workers' Compensation contributions from the Operating Fund, and unemployment insurance.
- ❖ Tuition Reimbursement was transferred to the Human Resources Program (0303) and the Employee Assistance Program was transferred to the Staff Relations/Equity Assurance Policy Program (0103).
- ❖ Please see Health and Dental Self-Insurance Fund (Program 9715) for details supporting employee health insurance and Workers' Compensation Fund (Program 9716) for the Workers' Compensation Insurance (located in Other Funds Section).
- ❖ Employee health insurance includes funding \$3 million appropriated from Fund Balance.

Object Description	Actual Fiscal 2012	Actual Fiscal 2013	Budgeted Fiscal 2014	Proposed Fiscal 2015
Insurance-Liability	\$ 309,999	\$ 312,895	\$ 360,000	\$ 470,000
Insurance-Vehicles	135,000	135,000	200,000	210,000
Retirement	5,914,056	14,842,862	18,113,830	21,030,000
Social Security	34,333,583	35,291,596	36,627,620	36,450,000
Employee Health Insurance	70,540,570	70,071,973	75,877,910	82,000,000
Life Insurance	1,060,997	1,053,629	1,035,410	1,020,630
Accrued Leave Pay-out	398,190	591,136	525,000	575,000
Insurance-Workers Compensation	2,230,000	2,230,000	2,130,000	3,000,000
Tuition Reimbursement	1,853,221	1,349,719	1,900,000	-
Insurance-Unemployment	158,048	146,180	195,300	169,760
Employee Assistance Program	56,024	60,180	60,180	-
Contingency	35,700	-	100,000	100,000
<b>Total</b>	<b>\$ 117,025,388</b>	<b>\$ 126,085,170</b>	<b>\$ 137,125,250</b>	<b>\$ 145,025,390</b>

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The program highlights say “Tuition Reimbursement was transferred to Human Resources (0303) and Employee Assistance to Staff/Equity (0103).” But those notes only refer to the *programs* where these costs appear.

Looking at the Object Description chart below the Program Highlights, it appears that Fixed Charges no longer includes tuition or EAP costs. That is not fully true: this *program* called “Fixed Charges” does not include those items, but the *category* Fixed Charges does still include them. The Fixed Charges *category* budget for fiscal 2015 is *not* \$145,025,390 – it is \$146,785,570 (with tuition and employee assistance included).

### ***Format/Content Example 3 – Data Processing and Printing charges almost disappear in new format***

In past years, chargebacks — payments from the General Fund to the Information Management and Printing Funds — were budgeted in programs within the categories of the budget (Administration, Instruction, Mid-Level, etc.). Now, chargebacks are shown in just one program within the Finance and Operations section (Internal Service Fund Charges program 8802, page 303). That page make no clear reference to the categories being charged and gives no comparison to past years’ costs.

FY 2015		Howard County Public School System			
Superintendent’s Proposed Operating Budget					
Category	Object Description	Actual Fiscal 2012	Actual Fiscal 2013	Budgeted Fiscal 2014	Proposed Fiscal 2015
Contracted Services					
01	Technology ISF Services	-	-	-	621,690
02	Technology ISF Services	-	-	-	2,714,520
06	Technology ISF Services	-	-	-	578,770
07	Technology ISF Services	-	-	-	228,150
08	Technology ISF Services	-	-	-	35,460
09	Technology ISF Services	-	-	-	290,290
10	Technology ISF Services	-	-	-	265,410
11	Technology ISF Services	-	-	-	3,785,150
14	Technology ISF Services	-	-	-	3,890
<b>Total Contracted Services</b>		-	-	-	<b>8,523,330</b>
Supplies and Materials					
01	Printing ISF Services	-	-	-	82,150
02	Printing ISF Services	-	-	-	72,050
04	Printing ISF Services	-	-	-	1,191,830
06	Printing ISF Services	-	-	-	24,500
07	Printing ISF Services	-	-	-	2,890
08	Printing ISF Services	-	-	-	12,970
09	Printing ISF Services	-	-	-	1,440
10	Printing ISF Services	-	-	-	1,440
11	Printing ISF Services	-	-	-	1,440
14	Printing ISF Services	-	-	-	10,090
<b>Total Supplies and Materials</b>		-	-	-	<b>1,400,800</b>
<b>Total Expenses</b>		-	-	-	<b>9,924,130</b>

As an example: School Administration and School Improvements (Curriculum section, Mid-Level Admin, program 4701) previously included \$2.8 million in data processing and printing charges. The fiscal 2015 budget shows none in that program — the reader must infer that the line shown above as “Contracted Services Category 02 Technology ISF Services \$2,714,520” is the corresponding fiscal 2015 cost for Mid-Level Administration.

In another case, the chargeback for the Administration category was drastically reduced in fiscal 2015 – masking the overall increase in that category – but this is not apparent because chargebacks are not shown with their appropriate budget areas. The fiscal 2014 Technology chargeback for Administration was \$1,359,900. In fiscal 2015 it is \$621,690 (see above).

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### ***Format/Content Example 4– Consolidation of costs by program is not always consistent***

While the new budget format shows many costs consolidated within programs, even though the costs may actually be in different categories (see example 2, above), this is not always the case.

For example, program 3401 Saturday/Evening School (Curriculum section, page 245) does *not* indicate an associated transportation cost. This program has a transportation budget of \$134,000 (it appears as a line item with the same 3401 program number in the Facilities and Transportation section, page 337). By contrast, in program 3501 Academic Intervention (Curriculum section, page 171) the \$199,720 transportation costs of this program *are* shown on the program budget page. The Academic Intervention transportation costs are also budgeted in the Transportation Category. Only “small” transportation costs – for field trips – are mentioned in their program budget pages. While this may be understandable, it is inconsistent.

### ***Format/Content Example 5– detailed justifications of line items are missing***

As previously noted, line item justifications are largely lost in the new budget. For example, in previous budgets, the below line items for Utilities were presented:

<b>Utilities</b>		Program 7201			
	Fiscal 2011 Actual	Fiscal 2012 Actual	Fiscal 2013 Authorized	Fiscal 2014	
				Superintendent	Board Request
<b>Contracted Services</b>					
Contracted-Consultant	\$ 2,528	\$ 0	\$ 20,000	\$ 20,000	\$ 20,000
Contracted-Labor	312,323	1,662,065	365,000	350,000	350,000
Maintenance-Vehicles	2,911	2,355	2,300	2,300	2,300
<b>Subtotal</b>	<b>317,762</b>	<b>1,664,420</b>	<b>387,300</b>	<b>372,300</b>	<b>372,300</b>
<b>Supplies and Materials</b>					
Supplies-Communication	103,743	63,716	60,000	60,000	60,000
Supplies-General	13,723	1,301	5,000	5,000	5,000
<b>Subtotal</b>	<b>117,466</b>	<b>65,017</b>	<b>65,000</b>	<b>65,000</b>	<b>65,000</b>
<b>Other Charges</b>					
Utilities-Data Comm	1,625,496	1,705,220	1,650,000	1,650,000	1,650,000
Utilities-Water/Sewage	1,758,953	1,769,487	1,736,120	1,736,120	1,736,120
Utilities-Telecomm	731,760	904,061	770,520	770,520	770,520
Telecomm-Cell Reimbursement	0	0	9,000	9,000	9,000
Travel-Conferences	530	0	750	0	0
Utilities-Gas/Electric	11,893,029	10,936,430	13,046,980	13,046,980	13,046,980
Utilities-Oil	127,715	159,205	130,000	143,000	143,000
Dues & Subscriptions	0	185	300	300	300
<b>Subtotal</b>	<b>16,137,483</b>	<b>15,474,588</b>	<b>17,343,670</b>	<b>17,355,920</b>	<b>17,355,920</b>
<b>Equipment</b>					
Equipment-Technology	0	0	150,000	150,000	150,000
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>
<b>Program 7201 Total</b>	<b>\$16,572,711</b>	<b>\$17,204,025</b>	<b>\$17,945,970</b>	<b>\$17,943,220</b>	<b>\$17,943,220</b>

Now there is just one line:

Operating Budget					
	Actual Fiscal 2012	Actual Fiscal 2013	Budgeted Fiscal 2014	Proposed Fiscal 2015	
Salaries and Wages	\$ -	\$ -	\$ -	\$ -	
Contracted Services	-	-	-	-	
Supplies and Materials	-	-	-	-	
Other Charges	12,865,122	13,115,615	14,089,090	14,168,050	
Equipment	-	-	-	-	
<b>Total Expenses</b>	<b>\$ 12,865,122</b>	<b>\$ 13,115,615</b>	<b>\$ 14,089,090</b>	<b>\$ 14,168,050</b>	



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### ***Format/Content Example 6: Detailed positions are not shown in programs and position changes are difficult to track***

In past budgets, positions were individually identified. Any transfers, upgrades or changes to the previously approved personnel compliment were footnoted, both in the “from” and “to” programs. Here is an example:

<b>Personnel Summary</b>			
	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>	<u>Fiscal 2014</u>
Partnerships Manager	1.0	1.0	1.0
Partnerships Specialist	1.0	0.0	1.0 <sup>a</sup>
Secretary	1.0	1.0	1.0
Total	3.0	2.0	3.0
<sup>a</sup> Moved 1.0 Records Clerk from Human Resources, program 0303, and changed to Partnerships Specialist in fiscal 2013.			

There is now a separate summary in the back of the budget book showing all positions by program [page 424]. Details on reclassification are not clearly indicated.

Position transfers are now summarized a separate appendix [page 438], but that summary shows only net changes for each program; it does not show specifically where positions went to or came from. For example, the summary shows a transfer of 3.5 positions *into* program 0202, but not the location from where those positions were transferred.

Sometimes the position change information is detailed in the program text; sometimes it is not.

In Special Education there is a large shift of positions into Program 3321 School-Based [page 212] and there is a sizeable shift out of 3324 Regional Early Childhood [page 221]. But there is no easy way to make a one-for-one comparison — the text on these program budgets is not specific and, as previously noted, neither is the appendix at the end of the budget book.

A new program Data Management 0503 in the Accountability section [page 375] indicates 9 positions were transferred into it, but does not detail where they came from.

Accountability and Continuous Improvement (Program 0502) indicates under *Program Highlights* that: Total position changes reflect transfers to and from this program to assign staff to the program they support. Total transfers result in a net decrease of 1.0 FTE position. Please see Program Position Transfer Analysis in the Other Information Section.” The budgetary impact of this change is an increase in salaries from \$1,473,410 to \$1,491,240, an increase of \$17,830.

The *Program Position Transfer Analysis* section states:

Position	FY14 Approved	FY15 Change	FY15 Total
Chief Accountability Officer	1	No Change	1

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Coordinator	4	+1	5
Dir Planning & Accountability	-	+1	1
Executive Assistant	1	No Change	1
Secretary Administrative	1	-1	0
Asst Data Program Evaluation A	1	No Change	1
Specialist	6	-2	4
Technical Assistant	2	No Change	2
Total	16	+2-3=-1	15

One is unable to tell from either the program detail (page 377) or the *Program Position Transfer Analysis* (page 426) what programs received staff that was transferred out of Program 0502.

### Other Areas

#### 1. Cost containment

The superintendent's message makes these statements [page 6]:

These increases...are offset by a number of cost containment measures including:

- Savings of \$3.4 million resulting from zero-based budgeting, allowing the redirection of existing resources to our most strategic priorities.
- Savings of \$1.3 million through prefunding FY 2015 costs with FY 2014 funds.
- A reduction in the total number of new positions needed to support enrollment, due to the reassignment of existing positions in support of strategic objectives.

**OBRC question:** Please provide specific category, program, and line items to support the first two statements and specific positions reduced to support the third statement.

This is further outlined on page 15 of the budget's Executive Summary:

Through the ZBB process, some staffing formulas were refined and staffing will be adjusted through natural attrition which results in savings. In particular, the HCPSS identified that the HCPSS had more paraprofessionals than comparable school systems. In addition, teacher assignment was analyzed to ensure more classrooms are staffed at capacity. Custodial assignments were also reviewed to allocate these resources most efficiently and effectively. Savings through redirecting existing resources yielded \$3.4 million in ZBB savings and 40 positions . . .

**OBRC Question:** Please provide detailed, program specific information regarding the reduction of paraprofessional and custodial positions. How will the elimination of these positions affect staffing in the schools?

#### 2. Factors influencing the budget

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*Pensions:* Page 19 “Factors Influencing the Budget” refers to a shift of pension responsibility from the state to the school system. No amount is given. On page 301, Fixed Charges, the retirement budget does show an increase of \$2.9 million, but without further explanation.

**OBRC recommendation:** Break out this increase showing cost of state shifts, new positions, and other reasons.

### *Other reasons for budget increase*

Page 27 outlines in a very general way the reasons for the increase in the fiscal 2015 budget:

Mandatory increases for health, retirement, workers' compensation, and insurance	\$ 10,028,260
New initiatives including expansion of elementary world language program and the Pre-K program at Title I schools	7,115,720
Costs to open Middle School #20, including redirected positions	3,016,760
Costs for instructional supplies and teachers to meet enrollment growth	1,167,150
Savings achieved by prefunding FY 2015 costs with FY 2014 funds	(1,260,750)
Zero-based budget cuts and budget savings through redirecting existing resources	(3,392,050)
Salary increases (negotiations underway - amount unknown at this time)	-
<b>FY2015 Budget Changes</b>	<b>\$ 16,675,090</b>

**OBRC recommendation:** please provide a cross reference for the programs in which the increases appear, and detailed breakout information. Obviously this information is embedded within the entire budget, but there is no easy reference.

There is a further breakout of the second item—\$7.1 million for new initiatives— on page 29. The details are still not provided here, other than short text descriptions of the Title I Pilot and Measures of Academic Progress:

DESCRIPTION	COST
Restoration of maintenance and custodial contracted services and supplies budgets and funding new grounds equipment for snow removal and field maintenance	\$ 2,281,040
Title I Pilot	1,487,690
Measures of Academic Progress assessments and professional training for staff on the new assessments	1,131,960
Funding the first year payment on a lease for a new data warehouse and student information system (projected total cost ~\$6M)	1,020,000
Funding for other instructional initiatives and school-based needs	482,730
Funding for administrative technology and other needs in support of Goal 4	443,800
Funding to support expanding service capabilities to the community in support of Goal 3	268,500
<b>TOTAL NEW INITIATIVES</b>	<b>\$ 7,115,720</b>

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### **Other questions and observations**

#### **1. Cost of Transportation administration**

Reorganization of budget book has, in some cases, made it harder to see the full cost of services. Example: The cost of administering the Transportation program was formerly a separate program (6701 Pupil Transportation Office). That program contained only the costs of administrative staff and services and it was easy to see that the school system spent about \$1.5 million on transportation administrative costs.

Now the Pupil Transportation Office is merged into a much larger program (6801 Student Transportation) that includes \$35 million in bus contracts – the administrative portion becomes a smaller, less identifiable portion of this larger direct service program.

#### **2. Student information system costs**

The budget indicates that Data Management program 0503 (Accountability section, page 379) has been “split from” Accountability Program 0502 (Accountability section, page 375). But the budget also indicates that Data Management costs for the student information system have been transferred from the Technology Fund program 9714.

***OBRC Question:*** Has Data Management 0503 been split from Accountability 0502 or has it been transferred from the Technology Fund 9714?

Underlying analysis shows that Data Management is actually budgeted in the Operation of Plant category and the Accountability Program is in the Administration category.

#### ***OBRC Questions:***

- What is the rationale for charging the student information system costs to Operation of Plant (a category typically used for custodial, warehousing, etc.)?
- What were the amounts budgeted in the Technology Fund program 9714 for this system in fiscal 2014? What were the actual amounts spent in fiscal 2013, if any?

#### **3. Consolidating utilities and grounds maintenance costs**

The school system has historically budgeted a line item for utilities in the Community Services category (Program 9401) in addition to the costs budgeted in Operation of Plant (Program 7201). The *total* cost of utilities was not always apparent in past budgets. Similarly, the cost of grounds maintenance was split between these two categories.

***OBRC Question:*** A major theme of the fiscal 2015 budget seemingly was to consolidate related total costs. Should the costs of grounds maintenance and utilities continue to be split into separate budget programs?

#### **4. Cost of private school transportation**

The FY15 budget provides bus transportation to private school students (about \$600,000 budgeted for this purpose). It may not support the mission of the Howard County Public School system. The OBRC recommends further consideration of this expenditure by the Board.

#### **5. Focus areas**

The OBRC received a request detailing four “focus areas” from HCPSS staff. After some debate about the charter of the OBRC and the origination of the document, the consensus of the OBRC

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is to approach these areas and attempt to make recommendations to the Board through the OBRC's April process report.